

DECISION MEMORANDUM

TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: JUNE 25, 2010

SUBJECT: APPLICATION OF CAPITOL WATER CORPORATION TO REVISE ITS
SCHEDULE NO. 3 PURCHASE POWER ADJUSTMENT RATE, CASE
NO. CAP-W-10-01

On June 11, 2010, Capitol Water Corporation (“Capitol Water” or “Company”) filed an Application requesting authority from the Commission to change its Schedule No. 3 Purchase Power Cost Adjustment to recover the Company’s cost of electricity related to Idaho Power Company’s electric rate schedules that have been approved by the Idaho Public Utilities Commission (“Commission”). *Application* at 1.

Capitol Water requests that the Commission process its Application through Modified Procedure and approve the change on less than 30 days’ notice on an interim basis, subject to refund, effective on July 1, 2010. *Id.* at 2. Thereafter, Capitol Water requests a final Order making any changes permanent with an effective date of August 1, 2010. *Id.*

THE APPLICATION

In its Application, Capitol Water notes that since its last case to establish a new tariff rate to recover its purchased power costs (CAP-W-09-01), “Idaho Power Company has been granted a number of changes . . . which increased rates and charges paid by Applicant to Idaho Power Co. for electric service.” *Id.*

Capitol Water’s current base rates were established in Case No. CAP-W-08-02 (Order No. 30762). *Id.* In Order No. 30762, the Commission approved “a three (3) year average of 1,454,401 KWh of electricity consumption at an average cost of 5.19¢ to establish rates for Applicant.” *Id.* The Company states that its total cost of electric power is \$75,483.41. *Id.* A

recalculation of Capitol Water's average cost per kWh at Idaho Power's current rates for electric power "produces an average cost of 5.52¢ per KWh." *Id.* at 2. Capitol Water estimates that this revised average cost per kWh yields an annual cost for electric power of \$80,295 – an increase of \$4,811 or 6%. *Id.*

Capitol Water requests that it be permitted to replace its "currently approved Schedule No. 3 Purchased Power Cost Adjustment of 1.45% with a new Purchased Power Cost Adjustment of 0.81%." *Id.* Additionally, Capitol Water seeks to recover \$1,000 for its "costs to review the Idaho Power Company cases, determine their effect on Applicant and prepare and file this application." *Id.*

Capitol Water states that the reduction of the Schedule No. 3 rate is "due to the change in Applicant's incremental costs approved in Case No. CAP-W-09-01 that utilized Idaho Power Company's PCA rate of 1.4717¢ per KWh" and was "recently reduced to 0.3114¢ per KWh." *Id.*

Capitol Water attached two exhibits to its Application. Exhibit No. 1 lays out the calculations used by the Company to reach its proposed Schedule No. 3 Purchase Power Cost Adjustment rate. Exhibit No. 2 is a copy of the Company's current Schedule No. 3 with corrections to reflect the proposed changes to the Purchased Power Cost Adjustment. Capitol Water also attached a copy of its proposed Schedule No. 3 for the Commission's approval with a proposed effective date of July 1, 2010.

Capitol Water states that it was "unable to file this application in a timely manner to meet the Commission's 30 day notice requirement due to the date Commission Order Nos. 31081, 31091 and 31097 were issued on May 28, [2010]." *Id.* Consequently, Capitol Water says that it "was unable to review those orders and the effect on Applicant until after June 1, [2010]." *Id.*

Capitol Water assures the Commission that it will issue a notice advising its customers of its pending Application before the Commission and that the notice will be "included with customer bills to be mailed July 1, 2010 and by a news release that is being sent to the Idaho Statesman and the Idaho Business Review newspapers" in conjunction with the filing of its Application. *Id.* at 2-3. A copy of the customer notice and news release were filed as Exhibit Nos. 3 and 4, respectively. *Id.* at 3.

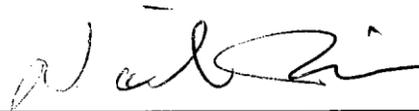
STAFF RECOMMENDATION

Staff has reviewed Capitol Water's Application and recommends that it be processed through Modified Procedure. Staff supports the establishment of an interim Schedule No. 3 rate effective July 1, 2010, and subject to refund. Staff believes that a 21-day comment period is appropriate.

COMMISSION DECISION

Does the Commission wish to process Capitol Water's Application through Modified Procedure and issue a Notice of Application and Modified Procedure with a 21-day comment period?

Does the Commission wish to approve an interim Schedule No. 3 rate effective July 1, 2010, and subject to refund?



Neil Price
Deputy Attorney General

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